
Chapter 4 Contents

Section 1 – Purpose

Section 2 – External Requirement

Section 3 – Internal Requirement

Section 4 – Internal Sample Reports

**SECTION 1
PURPOSE**

The purpose of financial reporting is to provide summarized financial information in order for readers to make informed decisions. These decisions are made to ensure that library funds are used for approved purposes and provide a way to hold decision makers accountable for their actions.

See Exhibit 4-1 on page 4.9 for a diagram that illustrates how the elements of accounting and financial reporting are summarized and provide building blocks for the annual audited financial report.

**SECTION 2
EXTERNAL REQUIREMENT**

Michigan Public Act 2 of 1968, as amended, requires that each governmental unit serving a population of 4,000 or more have an annual audit (those under 4,000 must have an audit every other year). Refer to MCL 141.433 Sec. 5. Other non-governmental libraries are subject to audits as required by governing bylaws or other authoritative documents.

Libraries that receive federal funding may also require a program-specific audit or an OMB Circular A-133 audit (Single Audit). The funding agency's grant document should dictate whether a separate audit is necessary.

Copies of audit reports should be sent by the auditors to:

The State of Michigan
Local Audit and Finance Division
Department of Treasury
Treasury Building
Lansing, Michigan 48922
(517) 373-3227
www.treas.state.mi.us or
www.michigan.gov/treasury

Refer to the Audit Process chapter for further discussion.

SECTION 3 INTERNAL REQUIREMENT

All libraries, regardless of size, should periodically present summarized financial information to provide management and the board the ability to make informed financial decisions. Libraries should have formal, well-documented internal reporting policies. Internal reporting policies often include:

1. Comparative monthly and annual financial statements, including budget and actual amounts, prepared on a consistent basis.
2. Explanations of unusual variances between budgeted and actual amounts.
3. Periodic meetings between management and the board to review financial reports.

SECTION 4 INTERNAL SAMPLE REPORTS

Typically, libraries prepare monthly reporting packages that are usually formatted in one of the following methods:

1. Annual budget vs. actual – The simplest of the four reporting packages, it depicts the annual budget versus actual results through a period of time.
2. Prorated budget vs. actual – This form displays the annual budget prorated by time versus actual results through the same period of time.
3. Percentage budget vs. actual – This form depicts actual results over a period of time as a percentage of the annual budget.
4. Incremental budget vs. actual – The most comprehensive of the four reporting packages, this form allocates the budget over a time period based on anticipation of when events will take place and is compared to the actual results over the same time period.

Reporting packages might also include cash flow analysis detailing cash inflow compared to outflow.

The following are samples of the above mentioned internal financial reports:

**LIBRARY OF SOMEWHERE
GENERAL FUND
SIX MONTHS ENDED SOMETIME**

Sample Budget Report – “Annual Basis”

	Annual Budget	YTD	Variance	Explanation of Variance
<u>Revenue:</u>				
Property Taxes	\$60,000	\$58,000	\$(2,000)	Taxes collected early in the year
Penal Fines	30,000	15,000	(15,000)	
Grants	20,000	7,500	(12,500)	Grant reimbursements lag expenditures
Other	10,000	5,100	(4,900)	
Total Revenue	120,000	85,600	(34,400)	
<u>Expenditures:</u>				
Personal Services	84,000	39,000	45,000	2 positions unfilled through mid year
Building Operations	10,000	5,700	4,300	
Collection	16,000	10,000	6,000	Budget is okay - book orders were
Capital Outlay	5,000	1,500	3,500	planned for early in the year
Other Operating	6,200	2,900	3,300	
Total Expenditures	121,200	59,100	62,100	
Net Revenue (Expenditures)	(1,200)	26,500	27,700	
Fund Balance - Beginning	16,200	16,200	-	
Fund Balance - Ending	\$15,000	\$42,700	\$27,700	

**LIBRARY OF SOMEWHERE
GENERAL FUND
SIX MONTHS ENDED SOMETIME**

Sample Budget Report – “Prorated Basis”

	Annual Budget	Prorated Budget	YTD	Variance	Explanation of Variance
<u>Revenue:</u>					
Property Taxes	\$60,000	\$30,000	\$58,000	\$28,000	Taxes collected early in the year
Penal Fines	30,000	15,000	15,000	-	
Grants	20,000	10,000	7,500	(2,500)	Grant reimbursements lag expenditures
Other	10,000	5,000	5,100	100	
Total Revenue	120,000	60,000	85,600	25,600	
<u>Expenditures:</u>					
Personal Services	84,000	42,000	39,000	3,000	2 positions unfilled through mid year
Building Operations	10,000	5,000	5,700	(700)	
Collection	16,000	8,000	10,000	(2,000)	Budget is okay - book orders were planned for early in the year
Capital Outlay	5,000	2,500	1,500	1,000	
Other Operating	6,200	3,100	2,900	200	
Total Expenditures	121,200	60,600	59,100	1,500	
Net Revenue (Expenditures)	(1,200)	(600)	26,500	27,100	
Fund Balance - Beginning	16,200	16,200	16,200	-	
Fund Balance - Ending	\$15,000	\$15,600	\$42,700	\$27,100	

**LIBRARY OF SOMEWHERE
GENERAL FUND
SIX MONTHS ENDED SOMETIME**

Sample Budget Report – “Percentage Basis”

	Annual Budget	YTD	Percentage	Explanation of Variance
<u>Revenue:</u>				
Property Taxes	\$60,000	\$58,000	97%	Taxes collected early in the year
Penal Fines	30,000	15,000	50%	
Grants	20,000	7,500	38%	Grant reimbursements lag expenditures
Other	10,000	5,100	51%	
Total Revenue	120,000	85,600	71%	
<u>Expenditures:</u>				
Personal Services	84,000	39,000	46%	2 positions unfilled through mid year
Building Operations	10,000	5,700	57%	
Collection	16,000	10,000	63%	Budget is okay - book orders were
Capital Outlay	5,000	1,500	30%	planned for early in the year
Other Operating	6,200	2,900	47%	
Total Expenditures	121,200	59,100	49%	
Net Revenue (Expenditures)	(1,200)	26,500		
Fund Balance - Beginning	16,200	16,200		
Fund Balance - Ending	\$15,000	\$42,700		

**LIBRARY OF SOMEWHERE
GENERAL FUND
SIX MONTHS ENDED SOMETIME**

Sample Budget Report – “Incremental Basis”

	Annual Budget	Incremental Budget	YTD	Variance	Explanation of Variance
<u>Revenue:</u>					
Property Taxes	\$60,000	\$57,000	\$58,000	\$1,000	Taxes collected early in the year
Penal Fines	30,000	15,000	15,000	-	
Grants	20,000	10,000	7,500	(2,500)	Grant reimbursements lag expenditures
Other	10,000	4,500	5,100	600	
Total Revenue	120,000	86,500	85,600	(900)	
<u>Expenditures:</u>					
Personal Services	84,000	40,000	39,000	1,000	2 positions unfilled through mid year
Building Operations	10,000	5,600	5,700	(100)	
Collection	16,000	10,500	10,000	500	Budget is okay - book orders were planned for early in the year
Capital Outlay	5,000	1,500	1,500	-	
Other Operating	6,200	2,900	2,900	-	
Total Expenditures	121,200	60,500	59,100	1,400	
Net Revenue (Expenditures)	(1,200)	26,000	26,500	500	
Fund Balance - Beginning	16,200	16,200	16,200	-	
Fund Balance - Ending	\$15,000	\$42,200	\$42,700	\$500	

**LIBRARY OF SOMEWHERE
CASH FLOW ANALYSIS**

Projected	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Cash at Beginning of Month	10,000	36,700	51,400	50,200	46,600	41,300	36,000	31,200	28,100	23,300	18,100	13,800	
Receipts:													
Property Taxes	30,000	20,000	7,000	-	-	-	-	-	3,000	-	-	-	60,000
Penal Fines	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
Grants	1,700	1,700	1,600	1,600	1,700	1,700	1,700	1,600	1,700	1,700	1,700	1,600	20,000
Other	800	800	800	800	600	700	1,000	900	900	900	900	900	10,000
Total Receipts	35,000	25,000	11,900	4,900	4,800	4,900	5,200	5,000	8,100	5,100	5,100	5,000	120,000
Disbursements:													
Personal Services	6,200	6,100	7,700	6,100	6,200	7,700	6,800	6,800	8,600	6,700	6,700	8,400	84,000
Building Operating	1,000	900	900	900	900	1,000	800	700	700	700	700	800	10,000
Collection	700	2,800	3,500	-	2,500	1,000	1,900	-	-	1,800	1,500	300	16,000
Capital Outlay	-	-	500	1,000	-	-	-	-	3,000	500	-	-	5,000
Other Operating	400	500	500	500	500	500	500	600	600	600	500	500	6,200
Total Disbursements	8,300	10,300	13,100	8,500	10,100	10,200	10,000	8,100	12,900	10,300	9,400	10,000	121,200
Net Increase (Decrease)	26,700	14,700	(1,200)	(3,600)	(5,300)	(5,300)	(4,800)	(3,100)	(4,800)	(5,200)	(4,300)	(5,000)	(1,200)
Cash at End of Month	36,700	51,400	50,200	46,600	41,300	36,000	31,200	28,100	23,300	18,100	13,800	8,800	

**LIBRARY OF SOMEWHERE
CASH FLOW ANALYSIS**

Actual	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Cash at Beginning of Month	10,000	36,100	50,200	50,800	46,800	41,300	36,500	-	-	-	-	-	
Receipts:													
Property Taxes	30,000	20,000	8,000	-	-	-							58,000
Penal Fines	2,500	2,500	2,500	2,500	2,500	2,500							15,000
Grants	1,000	1,200	1,500	1,200	1,500	1,100							7,500
Other	900	800	1,200	800	600	800							5,100
Total Receipts	34,400	24,500	13,200	4,500	4,600	4,400	-	-	-	-	-	-	85,600
Disbursements:													
Personal Services	6,200	6,100	7,700	6,100	6,200	6,700							39,000
Building Operating	1,000	1,000	900	900	900	1,000							5,700
Collection	700	2,800	3,000	-	2,500	1,000							10,000
Capital Outlay	-	-	500	1,000	-	-							1,500
Other Operating	400	500	500	500	500	500							2,900
Total Disbursements	8,300	10,400	12,600	8,500	10,100	9,200	-	-	-	-	-	-	59,100
Net Increase (Decrease)	26,100	14,100	600	(4,000)	(5,500)	(4,800)	-	-	-	-	-	-	26,500
Cash at End of Month	36,100	50,200	50,800	46,800	41,300	36,500	-	-	-	-	-	-	

**EXHIBIT 4-1
ACCOUNTING AND FINANCIAL REPORTING**

